

## Information About Flexible Spending Accounts (FSAs)

The Federal Flexible Benefits Plan (FedFlex) enables eligible employees to pay for benefits with pretax dollars. The initial FedFlex benefit, Premium Conversion, was implemented in October 2000. This year, the Office of Personnel Management (OPM) plans to enhance FedFlex to include a second pretax benefit called Flexible Spending Accounts (FSAs). OPM has awarded a contract to SHPS as the FSA administrator.

### Enrollment

FedFlex will offer two FSAs. Employees will be able to enroll in one or both of the following types:

- A Health Care FSA (HCFSA) through which employees can use pretax allotments to pay for certain health care expenses that are not reimbursed by any other source and not claimed on the participant's income tax return. There is an annual amount of \$3,000 permitted per family.
- A Dependent Care FSA (DCFSA) through which you may use pretax allotments to pay for eligible dependent care expenses up to a maximum annual reimbursement of \$5,000 (\$2,500 if you are married and filing a separate income tax return). Section 125 of the Internal Revenue Code allows you to pay for certain health and dependent care expenses with pretax dollars.

As with Premium Conversion, you may choose to make a voluntary allotment from salary to your FSA account; you do not pay employment taxes on these allotments. Those who elect to participate set aside an annual amount of salary to be contributed to their FSA. NASA will deduct these contributions from your pay throughout the plan year and remit them to the FSA Administrator who will deposit the funds into your FSA account. You can draw upon the FSA account for reimbursement as you incur eligible expenses. The FSA Administrator will compute applicable administrative fees and deduct these from an employee's first claim for reimbursement of a covered expense.

Employees may enroll in the FSA Program in one of two ways. As of May 19, they may go on-line at the SHPS Web site ([www.fsafeds.com](http://www.fsafeds.com)) or they may call the toll-free number (1-877-FSAFEDS – 8-877-372-3337) to speak to a Customer Service Representative who will ask a series of questions and enroll the employee over the phone.

### Open Season for Initial FSA Plan Year

OPM has established an Open Season for the initial FSA Plan year from May 19 through June 20. This open season will cover a "short plan year" that begins on July 1, 2003, and ends on December 31, 2003. After the initial (short) plan year, employees will be able to make elections to participate in one or both FSAs at the same time as the FEHB open season. All subsequent plan years will encompass January 1 through December 31.

NASA will participate in the May 19 through June 20 Open Season, thus allowing employees to enroll in a FSA for 2003. However, enrollments under the FSA program for NASA

employees will not become effective until September 1, 2003. In order to process the tax-exempt FSA payroll allotment deductions, a program requirement, numerous substantive programming modifications must be made to NASA's Personnel and Payroll System. In addition to the FSA modifications, the Consolidated Payroll Office is also in the process of making changes to accept the contributions for the TSP Over 50 Catch-up and the Retroactive Locality Pay. For these reasons, the system modifications will not be completed until the pay period of August 24 – September 6, 2003. Employees electing to participate during this short year plan will be able to submit claims for allowable expenses incurred on or after September 1, 2003. Also, participants in the short year plan will be allowed to set aside the maximum annual deductions of tax-free money, if they choose. Any allowable expenses incurred between September 1 and December 31, 2003, may be submitted for reimbursement. Participants will have up to 120 days after December 31, 2003, to submit claims for allowable expenses. NOTE: Any monies remaining in an employee's 2003 FSA for which an allowable claim has not been made within the 120-day window following the end of the calendar year will be forfeited.

Subsequent to this initial open season, all other open seasons will occur each year at the same time as the annual FEHB Open Season with allocations beginning the first pay period of January the following year. Unlike Premium Conversion, participation in an FSA is not automatic; employees must make an election each and every year. However, once you submit your election, those benefit elections are irrevocable once the plan year begins, unless you experience a qualifying "change in status" event.

#### Eligibility

Employees eligible for FEHB (even if not currently enrolled) will be able to elect a healthcare FSA to cover expenses not covered under their FEHB plan – deductibles, coinsurance, and copayments, as well as services not generally covered such as dental care, orthodontics, etc. All Federal employees (including employees with temporary, seasonal, and intermittent appointments) will be able to elect to participate in the dependent care FSA for eligible dependents. Employees will elect to contribute an amount, up to the annual maximum allowed, to their FSA(s). At the present time, annuitants (except for reemployed annuitants) are not eligible to participate in either FedFlex FSA.

#### Questions and Additional Information

As was the case with the Long Term Care Program, our Federal human resources professionals are not expected to become the program experts. SHPS will assist employees with questions involving program rules and requirements. In order to provide assistance to Federal employees, beginning May 19, employees may contact SHPS through a dedicated toll-free number (1-877-FSAFEDS – 1-877-372-3337) or by accessing the Web site ([www.shps.net/fsafeds](http://www.shps.net/fsafeds)). Customer service representatives will be available to assist and answer employees' questions. For those employees who have a specific question that is not addressed on the Web site, they may send it to SHPS by e-mail at [fsafeds@shps.net](mailto:fsafeds@shps.net).